

**WEST CENTRAL TEXAS REGIONAL FOUNDATION**

Abilene, Texas

(A COMPONENT UNIT OF WEST CENTRAL TEXAS COUNCIL OF GOVERNMENTS)

INDEPENDENT AUDITOR'S REPORT  
AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED  
SEPTEMBER 30, 2023



**WEST CENTRAL TEXAS REGIONAL FOUNDATION**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
West Central Texas Regional Foundation  
Abilene, Texas

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the financial statements of West Central Texas Regional Foundation (a nonprofit organization) (the "Foundation"), a component unit of the West Central Texas Council of Governments, which comprise the statement of financial position as of September 30, 2023, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of September 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston  
NEW MEXICO | Albuquerque

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Foundation's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2024, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas  
July 1, 2024

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## **FINANCIAL STATEMENTS**

**WEST CENTRAL TEXAS REGIONAL FOUNDATION**

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2023

**ASSETS**

Current assets:	
Cash and cash equivalents	\$ 18,611
Grants receivable	<u>137,466</u>
Total current assets	<u>156,077</u>
Noncurrent assets:	
Investments	<u>58,694</u>
Total noncurrent assets	<u>58,694</u>
Total assets	<u>\$ 214,771</u>

**LIABILITIES AND NET ASSETS**

Current liabilities:	
Accounts payable	\$ <u>137,461</u>
Total current liabilities	<u>137,461</u>
Total liabilities	<u>137,461</u>
Net assets:	
Without donor restrictions	<u>77,310</u>
Total net assets	<u>77,310</u>
Total liabilities and net assets	<u>\$ 214,771</u>

**WEST CENTRAL TEXAS REGIONAL FOUNDATION**

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>Without Donor Restrictions</u>
Revenues, gains, and other support:	
Governmental grants	\$ 2,291,645
Local contributions	16
Net investment gain (loss) on investments	5,636
Total revenues, gains, and other support	<u>2,297,297</u>
Expenses:	
Program services - client support	
Contract staff	950,398
Direct client support	979,897
Facilities costs	86,257
Supplies	41,034
Copier, printing and publications	11,175
Travel, meetings and training	22,484
Telephone and communications	14,190
Postage and shipping	6,901
Outreach and education	6,406
Support services - management and general	
Contract staff	172,894
Total expenses	<u>2,291,636</u>
<b>CHANGE IN NET ASSETS</b>	5,661
<b>NET ASSETS, BEGINNING OF PERIOD</b>	<u>71,649</u>
<b>NET ASSETS, END OF PERIOD</b>	\$ <u>77,310</u>

**WEST CENTRAL TEXAS REGIONAL FOUNDATION**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$	5,661
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Net investment loss		153
Change in operating assets and liabilities:		
Decrease (increase) in grants receivable	(	3,291)
Increase (decrease) in accounts payable		<u>3,286</u>
Total adjustments		<u>148</u>
Net cash provided (used) by operating activities		<u>5,809</u>

**NET CHANGE IN CASH AND CASH EQUIVALENTS**

5,809

**CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD**

12,802

**CASH AND CASH EQUIVALENTS, END OF PERIOD**

\$ 18,611

# **WEST CENTRAL TEXAS REGIONAL FOUNDATION**

## **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED SEPTEMBER 30, 2023

### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Nature of Operations**

West Central Texas Regional Foundation (the "Foundation") is a Texas non-profit corporation organized and incorporated in April 2009, under the laws of the State of Texas and is exempt from federal income tax under section 501(c)(3).

The Foundation was established with the purposes of improving the health, education, safety, housing, environment, and general welfare of the citizens and to plan for future development of the area embraced by the communities predominantly within the State of Texas counties of Brown, Callahan, Coleman, Comanche, Eastland, Fisher, Haskell, Jones, Kent, Knox, Mitchell, Nolan, Runnels, Scurry, Shackelford, Stephens, Stonewall, Taylor, and Throckmorton. The Foundation operates out of Abilene, Texas and participates in grant programs as its primary source of funding.

#### **B. Basis of Presentation**

The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Foundation is considered to be a discretely presented component unit of West Central Texas Council of Governments (the "Council"). Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The Council's management has determined, through exercise of management's professional judgment, that although the Foundation might not meet the specific financial accountability criteria, it should be included as a component unit to prevent the reporting entity's financial statements from being misleading. This determination was based on the nature and significance of the Foundation's relationship with the primary government. The Foundation is closely related to and financially integrated with the primary government. While the Foundation's board is independent of the Council, the Foundation has contracted with the Council to provide management services and provide contracted labor to conduct all the Foundation's programs. The Foundation has no employees. The Council's management is responsible for the day-to-day activities of the Foundation.

#### **C. Management Estimates and Assumptions**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **D. Cash and Cash Equivalents**

The Foundation considers all monies in banks and highly liquid investments with maturity of three months or less from date of purchase to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. For the year ended September 30, 2023, the Foundation had no cash equivalents.

#### **E. Accounts Receivable**

Grants receivable represent pending reimbursements of program expenses incurred as of September 30, 2023, both billed and unbilled, and expected to be received from the funding sources in the subsequent year. Management considers all grants receivable at September 30, 2023, to be fully collectible. Accordingly, no allowance for delinquent grants receivable was made in the accompanying financial statements.

## **F. Classification of Net Assets**

Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net assets without donor restrictions - net assets available for use in general operations and are not subject to donor (or certain grantor) restrictions. Such net assets are available for any purpose consistent with the Foundation's mission. Designations of net assets by the governing board do not have the same legal requirements as do restrictions of funds and are included in this category.

Net assets with donor restrictions - net assets subject to donor or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other explicit donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

## **G. Revenue Recognition**

All revenue streams for the Foundation are within the scope of and accounted for under ASC 606, except for in-kind transactions, which are recognized in accordance with ASC 958. ASC 606 requires revenue to be recognized when the Foundation satisfies the related performance obligations by transferring to the customer a good or service through a 5-step process:

- 1) Identify the contract with the customer,
- 2) Identify the associated performance obligations,
- 3) Determine the transaction price,
- 4) Allocate the transaction price to the performance obligations, and
- 5) Recognize revenue when the performance obligations have been satisfied and the good or service has been transferred.

Over 99% of the Foundation's revenue is derived from Federal grants, under which the Foundation provides services to citizens or organizations on a reimbursement basis. Substantially all of these grant agreements provide for a direct reimbursement of all eligible program expenses on a weekly or monthly basis, up to the amount of the maximum grant award. The contracts are generally entered into for 1-5 year periods, and revenue is recognized monthly equal to the amount of eligible expenses. In the event that certain agreements provide for advance cash funding, these receipts are deferred until the program costs are incurred. Unspent grant awards lapse at the end of the agreement and are not recognized.

## **H. Grants, Contracts, and Other Revenue**

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

*Grant awards that are contributions* – grants that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related allowable expenses or asset acquisition costs are incurred. These grants are recognized according to ASC 958.

*Grant awards that are exchange transactions* - exchange transactions reimburse based on a predetermined rate for services performed. The revenue is recognized in the period the service is performed. Amounts received in advance are reflected as grant funds received in advance. These grants are recognized according to ASC 606.

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions received are recorded as with or without donor restriction, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restriction are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. If the restriction is satisfied in the period of contribution, the contribution is recorded as revenue without donor restriction.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Other revenue is generated from several sources and is recognized in the period it is earned.

## **I. Investment Income and Gains**

Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions in the reporting period in which restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished).

## **J. Income Taxes**

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation is also exempt from Texas franchise or income tax.

The Foundation is required to assess whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements. The Foundation has determined there are no amounts to record as assets or liabilities related to uncertain tax positions.

## **K. Functional Allocation of Costs**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Personnel costs are allocated based on time and effort reporting. Occupancy and related costs are allocated based on square footage.

## **II. PROGRAM SERVICES**

The Foundation's programs are organized under the following program groups:

*Client Support Services* - This program provides direct assistance to individuals in the Foundation's service area. These services are primarily funded by the Support Services for Veteran Families program, funded by the U.S. Department of Veterans Affairs.

## **III. CONCENTRATIONS**

### **Concentration of Credit Risk**

The Foundation from time to time keeps amounts in excess of the Federal Deposit Insurance Corporation (FDIC) maximum coverage. The Foundation manages these risks by maintaining all deposits in high quality financial institutions.

### **Concentration of Funding Source**

During the year ended September 30, 2023, the Foundation received approximately 99.7% of its revenue from federal grants, over 90% of which comes from the SSVF program through the U.S. Department of Veterans Affairs. A loss of any of these grant contracts could negatively impact operations.

## **IV. CONCENTRATION OF CREDIT RISK – GRANTS RECEIVABLE**

Credit risk associated with grants receivable is minimal due to the credit-worthiness of the awarding federal and state agencies.

## V. INVESTMENTS

The Foundation transferred \$50,000 to the Community Foundation of Abilene ("CFA") in 2015, in which the Foundation designated itself as the beneficiary. The Foundation has accounted for the transfer in accordance with ASC 958-605 as it relates to a recipient organization (the CFA) and specified beneficiary (the Foundation) under a reciprocal transaction that does not qualify as an equity transaction. Accordingly, the initial and any subsequent transfers of assets between the organizations are accounted for as an asset by the Foundation and a corresponding liability by the CFA. The asset has been adjusted to reflect its activity throughout the current year, as well as adjusted to its fair value on September 30, 2023.

The agency fund agreement between the Foundation and the CFA states that the transfers to the CFA are to be known as the West Central Texas Regional Foundation Fund (the "Fund"). It is the intent of the Foundation that the Fund is an endowed fund for the benefit of the Foundation and the net earnings from the Fund shall be distributable to the Foundation, or as the Foundation directs, for qualified charitable purposes. The Fund and all net earnings are to be held exclusively for the Foundation. The assets of the Fund are to be held and administered by the CFA. Assets of the Fund may be invested and reinvested from time to time in any securities, obligations or other property of any kind that the CFA may deem advisable, including, but not limited to, interest bearing accounts, certificates of deposit, and common trust funds administered by the CFA.

According to the Fund agreement, the Foundation is authorized to withdraw annually an amount not greater than four percent of a rolling twelve quarter average of the value of the Fund as of the previous January 31st. Any withdrawal in excess of the four percent limitation must be requested in writing certifying that the requested withdrawal has the approval of the Foundation's Board of Directors. The agreement does, however, allow the Foundation to withdrawal the entire outstanding balance of the Fund pending written certification of approval from the Foundation's Board of Directors. It is the intent of the Foundation to distribute the authorized four percent to the Foundation on an annual basis. Should the Foundation ever cease to exist or to perform its charitable functions, the CFA will make available distributions of the Fund to other qualified charitable organizations that provide similar services as the Foundation as defined in Section 501(c)(3) of the Internal Revenue Code. The CFA will consider the original purpose of the Fund and those individuals, groups, or causes that the Foundation previously sought to benefit in making such distributions.

Activity related to the investment for the year ended September 30, 2023 is as follows:

Beginning Balance	\$ 58,847
Unrealized loss	(153)
Distributions to the Foundation	<u>-</u>
Ending balance	<u>\$ 58,694</u>

## VI. FAIR VALUE MEASUREMENTS

FASB ASC 820, Fair Value Measurement, clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. This guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under this guidance are described below.

- Level 1 – Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.



- Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or comparable assets or liabilities which use observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

In estimating fair value, the Foundation utilizes valuation techniques that are consistent with the market approach, the income approach, and/or the cost approach. Such valuation techniques are consistently applied.

The reported value of the investment held at CFA (*see footnotes above*) is based on the fair value of the fund's net assets as determined by the trustee of the fund, primarily using quoted prices for similar assets in active markets. The following summarizes how the fair values of the investments were determined.

Fair values of assets measured on a recurring basis on September 30, 2023 is as follows:

Description	September 30, 2023	Fair Value Measurements at Reporting Date Using			
		(Level 1)	(Level 2)	(Level 3)	NAV
Community Foundation of Abilene	\$ <u>58,694</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>58,694</u>

## VII. ACCOUNTS RECEIVABLE

Accounts receivable at September 30, 2023, consisted of the following:

Federal grants	\$ <u>137,466</u>
Total Grants Receivable for Contracts	\$ <u>137,466</u>

## VIII. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions or designations limiting their use, within one year of the statement of financial position date, comprise the following for the Foundation as of September 30, 2023:

Financial Assets:	
Cash and cash equivalents	\$ 18,611
Grants Receivable	137,466
Investments	<u>58,694</u>
Total Financial Assets	<u>214,771</u>
Less:	
Noncurrent investments	( <u>58,694</u> )
Financial assets available within one year to meet cash needs for general expenditures	\$ <u>156,077</u>

The Foundation does not have a formal liquidity policy but generally maintains financial assets in liquid form such as cash and cash equivalents for approximately one to two months of operating expenses. The Foundation can rely on a lower cash balance as it is primarily funded with cost reimbursement grants. Under cost reimbursement grants, once expenses are incurred, an organization can request reimbursement from the funding source.

## **IX. COMMITMENTS AND CONTINGENCIES**

The Foundation receives grants from federal and state sources that are subject to review and audit by the funding sources. Such reviews and audits could result in the discovery of unallowable activities and unallowable costs. Consequently, any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance by the Foundation with the terms of the grants/contracts. In the opinion of the Foundation's management, such allowances, if any, would not be significant in relation to the financial statements of the Foundation.

## **X. CONTRACTED SERVICES AGREEMENT**

As part of the Foundation's management and contracted services agreements with the Council, substantially all of the Foundation's expenses are paid by the Council and reimbursed by the Foundation on an actual-cost basis. Total salary costs and related fringe benefit costs for the year were approximately \$950,398. Additionally, certain facilities, supplies, and shared services are charged to the Foundation when used; for the current year, these costs were \$86,257 and were reimbursed to the Council.

As of September 30, 2023, amounts reported as accounts payable of \$137,461 are entirely due to the Council to reimburse goods and payroll incurred before yearend and paid afterward.

## **XI. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through July 1, 2024, the date the financial statements were available to be issued.

## **SINGLE AUDIT SECTION**



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
West Central Texas Regional Foundation  
Abilene, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of West Central Texas Regional Foundation (a nonprofit organization), a component unit of the West Central Texas Council of Governments, which comprise the statement of financial position as of September 30, 2023, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 1, 2024.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit, we considered West Central Texas Regional Foundation's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of West Central Texas Regional Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of West Central Texas Regional Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**OFFICE LOCATIONS**

**TEXAS** | Waco | Temple | Hillsboro | Houston  
**NEW MEXICO** | Albuquerque

### ***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether West Central Texas Regional Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the West Central Texas Regional Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the West Central Texas Regional Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Pattillo, Brown & Hill, L.L.P.*

Waco, Texas  
July 1, 2024



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH THE *UNIFORM GUIDANCE***

Board of Directors  
West Central Texas Regional Foundation  
Abilene, Texas

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited West Central Texas Regional Foundation's (the "Foundation") (a nonprofit organization) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Foundation's major federal programs for the year ended September 30, 2023. The Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Foundation's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Foundation's federal programs.

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**OFFICE LOCATIONS**

**TEXAS** | Waco | Temple | Hillsboro | Houston  
**NEW MEXICO** | Albuquerque

## **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Foundation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Foundation's compliance with the requirements of each major federal programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Foundation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control Over Compliance**

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Pattillo, Brown & Hill, L.L.P.*

**WEST CENTRAL TEXAS REGIONAL FOUNDATION**

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-through Entity Identifying Number	Total Federal Expenditures
<b><u>U. S. DEPARTMENT OF VETERAN AFFAIRS</u></b>			
Direct Programs:			
Support Services for Veteran Families Program	64.033	2020-TX-141-22	\$ 1,475,987
Support Services for Veteran Families Program	64.033	2020-TX-141SS	559,935
Support Services for Veteran Families Program	64.033	2020-TX-141-HL	<u>196,895</u>
<i>Total 64.033</i>			<u>2,232,817</u>
<i>Total direct programs</i>			<u>2,232,817</u>
<b><i>Total U.S. Department of Veterans Affairs</i></b>			<u>2,232,817</u>
<b><u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
Passed through the Texas Council of Developmental Disabilities:			
Developmental Disabilities Basic Support and Advocacy Grants	93.630	22501	<u>58,828</u>
<i>Total Passed through the Texas Council of Developmental Disabilities</i>			<u>58,828</u>
<b><i>Total U. S. Department of Health and Human Services</i></b>			<u>58,828</u>
<b><i>Total Expenditures of Federal Awards</i></b>			\$ <u>2,291,645</u>

The accompanying notes are an integral part of this schedule.



## **WEST CENTRAL TEXAS REGIONAL FOUNDATION**

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

#### **1. GENERAL**

The accompanying schedule of expenditures of federal awards presents the activity of all applicable federal awards programs of West Central Texas Regional Foundation, a component unit of West Central Texas Council of Governments, for the year ended September 30, 2023. The information in this schedule is presented in accordance with the requirements Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule of expenditures of federal awards.

#### **2. BASIS OF ACCOUNTING**

Expenditures reported on this schedule are reported on the accrual basis of accounting. The accrual basis of accounting is described in Note 1 of the basic financial statements.

#### **3. INDIRECT COSTS**

West Central Texas Regional Foundation has not elected to apply the 10% de minimis indirect cost rate as allowed under the *Uniform Guidance*.

#### **4. PASS-THROUGH EXPENDITURES**

None of the expenditures presented on the schedule of expenditures of federal awards were passed through to subrecipients.

**WEST CENTRAL TEXAS REGIONAL FOUNDATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**Summary of Auditor's Results**

**Financial Statements:**

Type of auditors' report issued	Unmodified
Internal control over financial reporting: Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Material noncompliance material to financial statements noted?	No

**Federal Awards:**

Internal control over major programs: Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported

Type of auditors' report issued on compliance for major programs	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	None
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**Identification of major programs:**

Assistance Listing Number(s):	Name of Federal Program or Cluster:
64.033	Supportive Services for Veteran Families Program

Dollar threshold used to distinguish between type A and type B programs	\$750,000
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Auditee qualified as low-risk auditee?	No
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**Findings Relating to the Financial Statements Which are  
Required to be Reported in Accordance With Generally  
Accepted Government Auditing Standards**

None

**Findings and Questioned Costs for Federal Awards**

None

**WEST CENTRAL TEXAS REGIONAL FOUNDATION**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**Finding 2022-001**

*Criteria:* Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent or detect material misstatements in the financial reporting of all funds.

*Condition:* During the 2022 audit, it was identified that the Foundation failed to reconcile grant expenditures to the grant awards causing financial reporting to be inaccurate.

*Effect:* Grant revenues and expenditures were materially misstated or incorrectly reported.

*Cause:* Staff responsible for grant accounting were not properly trained in grant management and reconciliation.

*Recommendation:* We recommend the Foundation implement and strengthen internal controls and procedures to ensure grant expenditures are accurately tracked and reconciled in a timely manner. We also recommend the Foundation train staff involved in grant management to enhance their skills and knowledge.

*Current status:* This matter has been resolved.

**Finding 2022-002**

*Criteria:* In accordance with federal regulations (Uniform Guidance 2 CFR 200), recipients of federal awards are required to submit their single audit within the stipulated timeframe, usually nine months after the end of the fiscal year.

*Condition:* During the 2022 audit, it was identified that the Foundation failed to submit its single audit report for the fiscal year ended September 30, 2022, within the required timeframe, which is a violation of the Uniform Guidance requirements.

*Effect:* The late submission of the single audit report has resulted in a breach of compliance with federal regulations. This non-compliance has the potential to disallow funding from federal agencies.

*Cause:* The delay in submitting the single audit report was primarily attributed to a change in key personnel.

*Recommendation:* We recommend the Foundation develop a system of monitoring grant requirements and establish a timeline for meeting deadlines related to reporting in compliance with the Uniform Guidance.

*Current status:* This matter has been resolved.

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